

OFFICE OF THE TREASURER

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The Treasury Note

A monthly newsletter of municipal finance

July 1, 2001

Recent Bond Sales

If you are interested in purchasing the bonds mentioned below, please contact your broker.

Veterans Bonds

The State conducted a bond sale on June 7, 2001 for the Department of Veterans Affairs, selling a total of \$42 million in bonds. The bonds were sold as part of the Department of Veterans Affairs' financing plan for the Farm and Home Purchase Program, which provides veterans with low-interest loans to purchase single-family homes, farms, and mobile homes. The bonds were insured by Financial Security Assurance Inc.

The bonds were sold in a negotiated sale. The following firms assisted on the sale:

Co-Senior Managers:

Merrill Lynch & Co.
Bear, Stearns & Co. Inc.
Lehman Brothers

Co-Managers:

Banc of America Securities LLC
Dain Rauscher Incorporated
Goldman Sachs & Co.
Great Pacific Securities, Inc.
J.P. Morgan Securities Inc.
Mischler Financial Group, Inc.
Pacific American Securities, LLC
Roberts & Ryan Investments, Inc.
Salomon Smith Barney
Sutro & Company

Bond Counsel: Hawkins, Delafield & Wood

Disclosure Counsel: Quateman & Zidell LLP

Special Counsel: Orrick, Herrington & Sutcliffe LLP

Financial Advisor: Public Resources Advisory Group

General Obligation Bonds

The State sold \$1 billion in general obligation bonds on June 12, 2001. The bonds will fund various projects across the state. These projects include construction of facilities for K-12 schools, state colleges and universities; retrofitting state buildings for earthquake safety; projects which improve air and water quality; preservation of open space and park repairs; and projects that protect land around lakes, rivers, streams, and the coast to improve water quality and ensure clean drinking water.

The bonds were sold in a competitive sale. The bidders included Merrill Lynch & Co., Morgan Stanley Dean Witter, and UBS PaineWebber Inc. Merrill Lynch & Co. won the bid with the lowest true interest cost of 5.1080 percent.

The following firms assisted with the sale:

Co-Bond Counsel:

Orrick, Herrington & Sutcliffe LLP
The Law Offices of Joaquin A. Talleda

Disclosure Counsel:

Sidley Austin Brown & Wood LLP

Financial Advisor:

Public Resources Advisory Group

California Becomes World's 5th Largest Economy

On the strength of a \$1.33 trillion economy in 2000, California rose up a notch from sixth place to become the fifth largest economy in the world. California surpassed France, which had a \$1.281 trillion economy last year.

This study was based on personal income and employment data collected last year from California and France's Organization for Economic Co-operation and Development.

Listing of Redemptions and Defeasances

This listing reflects redemptions and defeasances officially announced as of June 15, 2001 and July 1, 2001.

Questions regarding redemptions or registration information can be directed to the *Investor Relations Section* at (800) 900-3873.

State Public Works Board of the State of California, High Technology Facilities Lease Revenue Bonds (Trustees of the California State University), 1986 Series A (San Jose Facility), Dated Date: August 1, 1986 (Partial Redemption). \$2,595,000 of the bonds due August 1, 2006 will be redeemed on August 1, 2001.

State of California Veterans General Obligation Bonds, Series BM3, Dated Date: March 1, 1998 (Partial Redemption). \$5,000 of the bonds due December 1, 2002, \$5,000 of the bonds due December 1, 2003 and \$5,000 of the bonds due December 1, 2004 will be redeemed on August 1, 2001.

State of California Veterans General Obligation Bonds, Series BN4, Dated Date: March 1, 1998 (Partial Redemption). \$5,000 of the bonds due December 1, 2002, \$5,000 of the bonds due December 1, 2003 and \$5,000 of the bonds due December 1, 2004 will be redeemed on August 1, 2001.

State of California Veterans General Obligation Bonds, Series BM1, Dated Date: March 1, 1998 (Full Redemption). All bonds will be redeemed on August 1, 2001.

State of California Veterans General Obligation Bonds, Series BM2, Dated Date: March 1, 1998 (Full Redemption). All bonds will be redeemed on August 1, 2001.

State of California Veterans General Obligation Bonds, Series BN2, Dated Date: March 1, 1998 (Full Redemption). All bonds will be redeemed on August 1, 2001.

State of California Veterans General Obligation Bonds, Series BN3, Dated Date: March 1, 1998 (Full Redemption). All bonds will be redeemed on August 1, 2001.

State of California Veterans General Obligation Bonds, Series AH, Dated Date: July 1, 1981 (Full Redemption). All bonds will be redeemed on August 1, 2001.

Department of Water Resources, Central Valley Project Water System Revenue Bonds, Series J1, Dated Date: January 1, 1992 (Partial Redemption). \$9,275,000 of the bonds due December 1, 2013 and \$23,420,000 of the bonds due December 1, 2020 will be redeemed on July 1, 2001.

Department of Water Resources, Central Valley Project Water System Revenue Bonds, Series J2, Dated Date: January 1, 1992 (Partial Redemption). \$63,355,000 of the bonds due December 1, 2013 and \$44,005,000 of the bonds due December 1, 2020 will be redeemed on July 1, 2001.

Department of Water Resources, Central Valley Project Water System Revenue Bonds, Series J3, Dated Date: January 1, 1992 (Partial Redemption). \$18,325,000 of the bonds due December 1, 2013 and \$48,410,000 of the bonds due December 1, 2020, will be redeemed on July 1, 2001.

Bond Sales Calendar*

If you are interested in purchasing any of these bonds, please contact your broker two weeks before the sale date. For updated information, check our website (www.treasurer.ca.gov) or call (800) 900-3873.

BOND SALES	AMOUNT	SALE DATE
Water Resources Electric Power Program Bonds	To be determined	To be determined
*Subject to change without notice.		